THE SOLOMON REPORT:

America's Ruthless Blueprint for the Assimilation of Micronesia

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The Setting

1. The Trust Territory of the Pacific Islands -- or Micronesia -- comprises the former Japanese mandated Caroline, Marshall and Mariana Islands. Scattered over an area as large as the mainland of the US, those 2,100 islands, less than 100 of which are inhabited by the territory's 81,000 people, came under United States control first by conquest and then, in 1947, under a trusteeship agreement with the Security Council of the UN. The islands vary from low coral atolls to higher islands of volcanic origin, the largest land masses being Babelthuap in the Palau district with 153 square miles, Ponape with 129 square miles and Saipan with 46 square miles. Population distribution ranges from islands with a few families to Saipan with 7,800, Ponape with 11,500 and Truk with 15, 000.

With a variety of racial mixtures, languages and cultures, essentially a series of individual island communities rather than a unified society, a lack of human and natural resources, tremendously difficult communications and transportation, the area has presented very serious administrative and developmental problems to the US. Historically, life has centered around the village, the extended family or clan and its lands. The traditional systems of communal, rather than individual land ownership, of inheritance through matrilineal lines and of the selection of native chiefs continue side-by-side with the forms of democratic institutions introduced by the U. S.

For a variety of reasons, in the almost twenty years of US control, physical facilities have further deteriorated in many areas, the economy has remained relatively dormant and in many ways retrogressed while progress toward social development has been slow. The people remainlargely illiterate and inadequately prepared to participate in political, commercial and other activities of more than a rudimentary character. The great majority depend largely upon subsistence agriculture -- fruit and nut gathering -- and fishing. As a result, criticism of the trusteeship has been growing in the UN and the US press -- and certain ways, among Micronesians.

2. Despite a lack of serious concern for the area until quite recently, Micronesia is said to be essential to the US for security reasons. We cannot give the area up, yet time is running out for the US in the sense that we will soon be the only nation left administering a trust territory. The time could come, and shortly, when the pressures in the UN for a settlement of the status of Micronesia could become more than embarrassing.

In recognition of the problem, the President, on April 18, 1962, approved NASM No. 145 which set forth as US policy the movement of Micronesia into a permanent relationship with the US within our political framework. In keeping with that goal, the memorandum called for accelerated development of the area to bring its political, economic and social standards into line with an eventual permanent association.

The memorandum also established a Task Force to consider what action might be taken to accomplish our goal and to provide policy and program advice to the Secretary of the Interior who is responsible for the administration of the Trust Territory. The Task Force, consisting of representatives of the Departments of the Interior,Defense, State and Health, Education, and Welfare and observers from the NSC and Bureau of the Budget, had considered and recommended several steps for greater aid to the area, both through the increase appropriation ceiling(from $7 to 17.5 millions) and in legislation (H.R. 3198) now pending in the Congress. It also proposed the sending of a survey mission to the Trust Territory to conduct a more thorough study of the area's major problems.

3. The Mission's formal instructions from the President (through NASM No. 243 of May 9, 1963) were to survey the political, economic and social problems of the people of the Trust Territory and to make recommendations leading to the formulation of programs and policies for an accelerated rate of development so that the people may make an informed and free choice as to their future in accordance with US responsibilities under the trusteeship agreement.

4. The Mission consisted of nine men, both Government and non-Government, selected by its chairman and serving for differing periods of time up to six weeks in thetrust

Territory during July and August 1963. The Mission visited six district centers in the territory and representative sample of the outlying islands containing in all a majority of the area's population. Discussions were held throughout the area with seven assemblies of local people, eight legislative committees, seven municipal councils and three women's associations; about twenty-five interviews with American missionaries and over forty-five interviews with Micronesians were held. There were also briefings by Headquarters personnel of the Trust Territory government and the six district administrators and their staffs. Wherever possible, roads communications, transportation facilities, agricultural developments, schools and other facilities and enterprises were examined and evaluated. Several additional weeks were spent in the US preparing the final report of the Mission.

Major Objectives and Considerations

1. Working within its broad frame of reference, the Mission's major findings relate to three key sets of questions that it attempted to answer:

   a. What are the elements to consider in the preparation for organization, timing and favorable outcome of a plebescite in Micronesia and how will this action affect the long-run problem that Micronesia, after affiliation, will pose for the US?

   b. What should be the content and cost of the minimum capital investment and operating program needed to insure a favorable vote in the plebiscite, and what should be the content and cost of the maximum program that could be effectively mounted to develop the Trust Territory most rapidly?

   c. What actions need to be taken to improve the relationships between the current Trust Territory government and Washington and to insure that it can implement any necessary political strategy land development program with reasonable effeciency and effectiveness.

2. The Mission's findings and recommendations on these three sets of questions correspond to Parts I, II and III of its report. Those recommendations sum up to an integrated master plan which, if accepted, would provide guidelines for federal action through fiscal year 1968 to secure the objectives of:

   a. Winning the plebiscite and making Micronesia a United States territory under circumstances which will: (1) satisfy somewhat conflicting interests of the Micronesians, the UN and the US along lines satisfactory to the Congress; (2) be appropriate to the present political and other capabilities of the Micronesians; and (3) provide sufficient flexibility in government structure to accomodate whatever measure of local self-government the Congress might grant to Micronesia in later years.

   b. Achieving rapidly, minimum but satisfactory social standards in education, public health, etc.

   c. Raising cash incomes through the development of the current, largely crop-gathering subsistence economy.

3. There are, however, unique elements in the delicate problem of Micronesia and the attainment of our objectives that urgently require the agreement now of the President and the Congress as to the guidelines of US action over the next few years. First, the US will be moving counter to the anti-colonial movement that has just about completed sweeping the world and will be breaching its own policy since World War I of not acquiring new territorial possessions if it seeks to make Micronesia a US territory. Second, of all eleven UN trusteeships, this will be the only one not to terminate in independence or merger with a continguous country, but in a territorial affiliation with the administering power. Third, as the only "strategic trusteeship," the Security Council will have jurisdiction over the formal termination of the trusteeship agreement, and if such a termination is voted there, the US might have to decide to proceed with a series of actions that would make the trusteeship agreement a dead issue, at least from the Micronesian viewpoint. Fourth, the 2,100 islands of Micronesia are, and will remain in the now foreseable future, a deficit area to be subsidized by the U.S. Fifth, granted that this subsidy can be justified as a "strategic rental," it will amount to more than $300 annual per Micronesian through 1968 and any reductions thereafter will require long-range programming

along the lines of a master development plan as proposed in the Mission report. Finally, this hoped for long-range reduction in the level of subsidization and the implementation of the political strategy and capital investment programs through fiscal year 1968 require a modern and more efficient concept of overseas territorial administration than is evident in the prevailing approach of the quasi-colonial bureaucracy in the present Trust Territory government.

Part I. Political Development of Micronesia

1. The Washington policy, adopted last year, of having the Trust Territory affiliate permanently with the US has not had an observable impact on the Trust Territory government. American and Micronesian officials in the area appear still to be thinking in terms of independence for Micronesia as an eventual, distant goal and there appears to have been little attempt to direct Micronesia toward thinking about eventual affiliation with the US. In the absence of further action, the Mission believes that the momentum of previous attitudes and policies which did not involve the concept of affiliation will be hard to overcome.

2. It can be statedquite unequivocaly that the masses of Micronesians are not only not concerned with the political future but also are not even aware of it as a question. They simply live in the present reality of the "American time" that has replaced the "Japanese time." The earlier German and Spanish times are dimly, if at all remembered.

3. The situation is not quite the same among the political elite. Political power among the Micronesians is in a triumvirate of the traditional clan chiefs, the educated younger bureaucracy working in the Trust Territory government and the small but powerful group of businessmen operating trading companies. These groups are aware that their political future is still to be resolved, but even they generally shy away from actively concerning themselves with it. The reason lies in their belief that:

(a) they cannot stand alone now and that independence, even if they want it, is so far distant that meaningful consideration is not practical: (b) there has been no indication from the US of an alternative to independence -- they do not know that the US may desire affiliation; and (c) even if affiliation were possible, the prospect creates feelings of uncertainty and insecurity that they would rather not face.

4. These insecurities arise from general ignorance as to what affiliation means and what it would do to their lives as they know them today. The more important of the traditional chiefs are especially concerned whether "coming under US laws" would invalidate the present restrictions against non-Micronesians owning land and whether it would affect their complicated communal land-tenure systems on which their social organization and customs and the chiefs' powers are based. The merchant businessmen, even though they want more economic development, react against the prospect of a flood of American businessmen with whom they believe they cannot compete. The Micronesians in the government bureaucracy are less fearful of permanent affiliation but they also share in the general concern among the political elite they don't want to be swamped by Americans and lose their status "as the Hawaiians did."

5. On the other hand, there is a sophisticated awareness among a goodly member of the Micronesian elite that their own interests are not best served by the UN trusteeship simply because, as a provisional non-permanent arrangement, it perpetuates the excessively dependent psychology and habits of a people who have been handed around among four major powers in the last 65 years. There also appears to be an unexpressed but fairly widespread and awakeable emotional feeling among these more sophisticated Micronesians that they want an "identity" and a permanence of status that is not compatible with the implied impermanence of the trusteeship.

6. Another disadvantage of the trusteeship is its protective and custodian nature, a carryover from the philosophy of the League of Nations mandates, which is not fully compatible with the more recent emphasis on modernization and more rapid development of peoples under

trusteeship. Most policies which try to be both development-minded and protective do not seem to do a good job of either. However, a conflict between development objectives and protective attitudes characterized the current administration of the Trust Territory. Although it has become fashionable for American officials connected with the Trust Territory to disclaim any desire to maintain an "anthropological zoo," in reality protective and custodial policies are very prevalent. This conflict within official thinking faithfully mirrors the dilemma of the Micronesians themselves. They desire urgent economic development, but want to retain, at the same time, restrictions on non-Micronesians immigrating, occupying land and starting businesses. The Mission believes that, if for no other reason than that of the impending plebiscite, the Micronesians need reassurances on the continuance of those restrictions but, at the same time, we are recommending certain modifications which will initiate long-run liberalization of those restrictions.

7. Another factor of importance affecting the plebiscite is the economic stagnation and deterioration of public facilities that has characterized the US administration of the Trust Territory in contrast to that of the Japanese. The rapid growth under the Japanese was due not only to their large capital investment and subsidy program, but to Japanese government-directed organization by Japanese and Okinawans. The fact that it was the Japanese rather than the Micronesians who supplied the labor for the then flourishing sugar cane and commercial fishing industries and who benefited most from the Japanese government's subsidization of the area does not alter the fact that per capita Micronesian cash incomes were three times as high before the war as they are now and that the Micronesians freely used the Japanese-subsidized extensive public facilities. For the outcome of the of the plebiscite to be favorable the Mission believes there must be an effective capital investment program before the plebiscite to give the Micronesians a sense of progress to replace the deadly feeling of economic dormancy.

8. While more than 95 percent of the budget of the Trust Territory government is financed by the US and the importance of those funds in influencing a favorable plebiscite result is obvious, the impact of US funds has been lessened by: (a) considerable feeling among Micronesian bureaucrats that a large part (actually over $2 million) is spent on high salaries for US personnel in Micronesia; (b) numerous complaints about, and dissatisfaction with the competence of the Trust Territory government (one district congress advised the Mission that, despite area need, they did not want more US funds if they were not "properly administered real experts who should be brought in"); and (c) some believe that US aid results only from UN action and that Micronesia might not do as well as a US territory.

9. The Trust Territory government gets good marks from the Micronesians, however, for its genuine fostering of democratic civil liberties and increasing the participation of Micronesians in various levels of local government (as territorial advisory council, six district legislatures and a multitide of municipal governments). However, Micronesia is still a long way in terms of experience and funds from being able to mount a viable local government. The very multiplicity of local governmental levels is beginning to cause problems, particularly at the municipal level where there is much disatisfaction because of the relization that, in a large majority of cases, the "U.S. imposed" municipal taxes produce only enough revenue to pay salaries to municipal officials and councilmen for making decisions that the village elders previously made free as a public service. This is a clear case of too much government.

10. The great distances, cultural and linguistic barriers separating the six districts of Micronesia also have special implications for a plebiscite. The Mission found little consciousness among the people of the Trust Territory of themselves as "Micronesians" and no emotional nationalistic feelings. There are no traditions of unity but rather a history of individual island cultures. There is almost universal ignorance in each district as to who are the leaders, political otherwise, of the other five districts, and there is little inclination to compromise on a district's special interest in favor of

territory's advancement as a whole. This regional separation is strengthened by the existence of separate district legislatures, and to date only minor progress has been made toward a centralized indigenous government. The district legislatures function reasonably well given the small revenues they can command, but they represent conservative bastions for the maintenance of traditional policies, and land and social customs. Within some districts, especially Yap and Ponape, there is the additional complication of the outlying island groupings resenting the domination of the islands nearer to the district centers. This situation requires the most carefully impartial handling by the US in the period before the plebiscite and the avoidance in the plebiscite of questions of special interest to particular districts, such as "union with Guam" which is an issue in the Marianas. It also creates the need for the right mix of political compromise in the organization of the territorial legislature. (The Mission's report, in Part I, identifies the particular issues, political groupings and key people of importance in that district.)

11. The Mission has no difficulty in concluding that there is little desire for independence in the Trust Territory. It would go so far as to say that even if a plebiscite were held today without preparation, the total vote for independence would probably be only from 2 to 5 percent. The Mission also concluded that there is no hard core of feeling against permanent affiliation with the US but, as described earlier, an inchoate insecurity among a substantial number of the elite that can be allayed only through certain actions recommend below.

12. The Mission recommends that the plebiscite be held in 1967 or 1968 because:

a. Our timetable calls for creation of the true territory wide legislature in the fall of 1964 and having its members serve out an initial three-year term before the plebiscite, during which the members from the different districts can develop more political experience working together than was possible in the present territory-wide advisory council.

b. The maximum impact of the recommended capital investment program will not be felt until late 1967

on the one hand, nor will it be felt as strongly after 1968 since the Mission does not expect the development process in the private sector of the Micronesian economy to be strong enough to offset the anticipated cutback in the capital investment program after fiscal year 1968 (by which time the higher priority capital needs of education, public health and public works will have been met).

c. The early definitive resolution of the political future of Micronesia as a US territory will make it easier for the US, if it so decides, to permit Japanese businessmen, technicians and fishing vessels into non-sensitive areas of the Trust Territor, which would supply a very great stimulus to economic development at no cost to the US and thereby permit reductions in the US subsidization of the territory.

If necessary, the plebiscite could be advanced to as early as 1966 by compressing the schedule for the development of the legislature. The legislature could be created by the spring of 1964 if the High Commissioner were instructed to do so. However, such an advance in the plebiscite timing would be at the expense of giving the legislature less experience and not waiting for the capital investment program to have its full impact.

13. The questions offered in the plebiscite to the Micronesians should be confined to two in number with some such general wording as follows:

(a) Are you in favor of becoming an independent nation?

(b) Are you in favor of a permanent affiliation with the US of America?

There will be some nations in the UN which, sensing our objective, will claim that the plebiscite should be confined to the single option of independence since the basic idea of trusteeships is that they should terminate in independence. There may also be some nations which will claim that, in its 1967-68 state of development and dependence Micronesia cannot realistically choose independence and is therefore not being given real alternative. To some extent, this latter argument could be nullified by including a third plebiscite option -- namely, continuation for the time being of the status quo of the

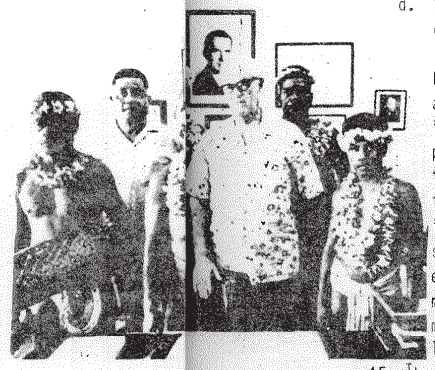
trusteeship with the US as the administering power. From our viewpoint, this would reduce the vote for permanent affiliation from 95 percent of those voting to a substantially smaller percentage, although still a majority.

14. The Mission recommends the following steps as part of the overall program to achieve our plebiscite objective and at the same time promote the longer run political development and general advancement of the Micronesians:

a. A qualified American should be appointed in each of the six districts to develop and maintain continuous liaison with the various leaders of the three politically critical groups. His main job would be to develop, in a gradual way, interest among those people in his district in favor of permanent affiliation by supplying the information needed to eliminate their ignorance and allay their fears as to what the affiliation would entail, as well as its advantages. He would also administer useful adult education and US and world information programs, as well as the local radio programming now handled by the district director of education. These six information officers, in whose recruitment US Information Service should cooperate, would also perform through their supervisor at Headquarters the regular political reporting function so acutely lacking at present.

b. Washington should facilitate the general development of Micronesia interest in, and loyalties to, the US by various actions, three of which are:
   (1) Sponsorship by the Department of State of Micronesian leader visits to the US.
   (2) Introduction in the school system of US oriented curriculum changes and patriotic rituals recommended in the section of the Mission's report dealing with education.
   (3) Increasing the number of college scholarship offered to Micronesians, a highly sensitive issue in the TT.

c. The Community Action Program by the 30 Peace Corps volunteers recommended in the Mission report should be begun because it is of critical importance to both the plebiscite attitudes and the overall advancement of the majority of Micronesians living on islands outside the district centers. The program as recommended (which includes use of Peace Corps Volunteers as teachers in the school system) and the realities of Micronesian needs contain all the probabilities of a spectacular success for the Peace Corps.



d. Preparation should be taken to offer Micronesian government employees and other wage earners two specific inducements to seek affiliation with the US. First, after such an affiliation Micronesian and US personnel basic pay scales would be equalized. Since the inequality exists only in the professional and higher administrative echelons, the cost would not be excessive. Second, rather than introduce a retirement program for Micronesian government employees, the Social Security system should be extended to all wage and salary earners in Micronesia (most of whom are government employees) with possible consideration of a more general inclusion simultaneously or at a later time.

15. The final factor of importance to the outcome of the plebiscite will be the Micronesian leaders' insistence on knowing the proposed organization of Micronesia's post-plebiscite territorial government. The Micronesian leaders are intelligent and in many cases quite sophisticated, and they have been led to expect eventual independence; their willingness to produce a large popular vote for permanent affiliation will partially depend on the measure of self-government to be given them within the structure of territorial affiliation. This will also be of critical importance in the UN since the trusteeship agreement requires "independence or self-government" as the terminal objective. On the other hand, consideration must be given to the need for continued adequate control by the US and the traditional attitude of the Congress toward the organization of territorial government. Also, there are clear limitations on the present-day ability of the Micronesians to govern themselves.

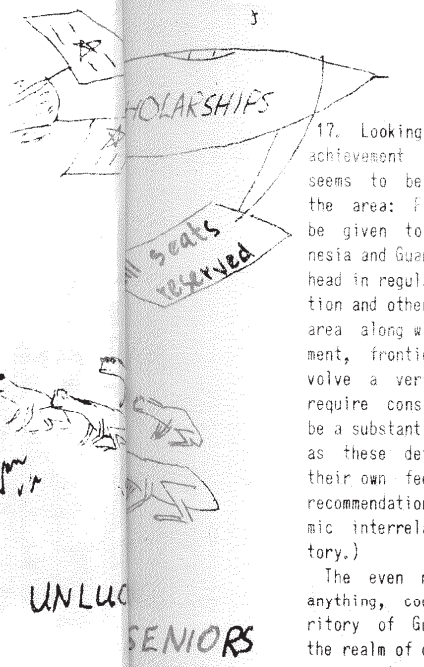
As the practical solution of this many-pronged dilemma, the Mission recommends a government organization for the

Territory of Micronesia that gives, on the one hand, a reasonable appearance of self-government through an elected Micronesian legislature and a Micronesian Chief Executive nominated by and having the confidence of the legislature, but on the other hand retains adequate control through the continuation of an appointed US High Commissioner. (This arrangement is similar to that now operating in the administration of the Ryukyu Islands.) The powers of the High Commissioner could range from:

(a) The minimum of being able to withold all or a part of the US funds going to the Micronesian government and the authority to declare martial law and assume all legislative and executive powers when the security of the US so requires; to

(b) the maximum additional power of vetoing all laws, confirming the Chief Executive's appointments of key department directors and dismissing the Chief Executive and dissolving the legislature at any time.

16. The Mission also recommends that, after the plebiscite, the Congress recognize the expressed desire of the people of Micronesia to affiliate by granting them the status of US nationals but that action on an organic act [illegible] until [illegible] the development of the territory has sufficiently advanced, and the territorial legislature has had a chance to take action on the local customs and laws which now protect the lands and businesses of Micronesians. Once the people of Micronesia have expressed their desire to affiliate, it is highly advisable that they feel the question of their political future has been definitely resolved by having the Congress grant them without delay the status of US nationals even though there may be subsequently protracted debate in the Security Council over the termination of the trusteeship agreement. It is worth pointing out that the extension of the status of US nationals appears to the Mission, although questioned by State, to be legally possible under the trusteeship agreement which permits the extension of all the administering authority's laws to the Trust Territory, and that this could be the first in a series of steps that could make the trusteeship agreement an academic issue, even if the Security Council were not willing to terminate the trusteeship agreement.



17. Looking beyond the plebiscite and the subsequent achievement of territorial status for Micronesia, what seems to be the possible long-run political future for the area: First and most essential consideration might be given to the union of the two territories of Micronesia and Guam which would produce (a) economics of overhead in regular governmental administration, transportation and other facilities, (b) a more economically viable area along with a new stimulus to its economic development, frontier in the Pacific. Such a union would involve a very delicate problem of negotiation and would require consistent pressure. However, the payoff would be a substantial reduction in the need for appropriations as these deficit areas came to stand more and more on their own feet. (Part II of the Mission report includes recommendations for immediate action to develop the economic interrelationship between Guam and the Trust Territory.)

The even more distant problem of what ultimately, if anything, could or should be done with the unified territory of Guam and Micronesia is at present too much in the realm of clouded crystal ball gazing. Incorporation as a country in the State of Hawaii has been suggested in various places, and the Governor of Hawaii apparently feels that it is very much a possibility, but the Guamanian and Micronesian leaders' long-run political speculation definitely do not contemplate this degree of absorption and loss of political independence. Furthermore, the ultimate status of this territory may very well not be decided separately but as part of a general solution devised by the US for all our remaining territories.

Part II. The Capital Investment Program for Overall Development

1. Until fiscal years 1963 and 1964, when the Congress authorized an appropriation of $17.5 million for the Trust Territory and appropriated $15 million for each of those years, the level of US appropriations for Micronesia had averaged slightly under $7 million annually. Outside of new transportation facilities, few new capital investments were possible within this budget and those were achieved at the expense of an overall net capital disinvestment -- that is, by permitting the deterioration

buildings, machinery and public facilities. The running down and eventual destruction of much of the physical plant inherited from the Japanese and Navy administrations, which is amply evident in all the districts, has proved to be a very expensive "economy".

2. The decision by the US to bring about the permanent affiliation of Micronesia requires the formulation of programs that will have both the maximum political impact in the plebiscite and will also advance the Micronesians in the long run as rapidly as possible toward satisfactory living standards. A successful initiation of the economic development of the area is critical not only to the plebiscite and the living standards of the people who would become US nationals but also to eventually relieving the US of the financial burden of subsidizing those living standards.

3. The bulk of the increased funds in fiscal year 1963 and 1964 is being used in a program just starting for the construction and operation of an expanded and accelerated elementary school system. In view of the remarkable degree to which educational opportunities are almost desperately wanted by all classes of Micronesians (including surprisingly the most traditional-minded clan chiefs) this priority of funds was exactly right by every criterion of US objectives.

4. The Mission found, however, an unsatisfactory state of affairs in the Trust Territory government with respect to the development of the overall size and the components of an integrated capital investment and operating program (including the educational sector) that would meet Trust Territory needs in the framework of US objectives. The High Commissioner himself believes that the $57 million long-range capital program briefly presented by him to the House Interior Committee last year was not based on an adequate study of sectoral needs and priorities within those sectors to achieve the most favorable developmental and political impact.

5. The Mission members therefore proceeded within the short time available to identify the specific sectoral, social and economic capital need and feasibilities in the survey of each of the six districts. Simultaneously, the Mission members surveyed the policies and administrative

problems specific to each of the sectors and those that could probably arise in connection with an overall capital investment and development program. The Mission then worked out the overall priorities and their interrelationship and formulated the optimal program it considered feasible and efficient maximum, given the differing district labor availabilities and other resources. This maximum program totals $42 million of capital investment over the four fiscal years from 1965 through 1968 with annual operating costs ascending $14,5 million in 1965 to $15,9 million in 1966, $18.5 million in 1964 and $20.2 in 1968. The Mission also presents, at the other end of the scale, the minimum program it believes sufficient to achieve US political developmental objectives which involves somewhat inferior educational and other standards and slower economic development. The minimum program totals $31 million of capital investment over the four-year period and somewhat lower operating costs than the maximum program.

6. To look at it in various perspectives, the maximum program is a small program, except in education, relative to the investment made by the Japanese government before World War II. The $360 average per capital annual expenditure that it represents is not very meaningful in the Trust Territory with its 81,000 people scattered through a vest area, but it is closer to the small per capita expenditure of Britian and France in their Pacific colonies (under $60) than it is to the high per capita expenditure ($1,300) of small Denmark for the 23,000 inhabitants of Greenland. Also, in view of our political objectives, the program should be viewed in relation to the Micronesian's average per capita income of about $80 per year -- the equivalent of $36 in 1939 prices -- compared to the comparable 1939 Micronesian average of about $100. Given the rate of increase in the population of Micronesia (about 3.5 percent annually) and the almost negligible impact of current technical assistance efforts, the economic development problem will not be solved except with some such capital investment program such as that presented in the report.

. The Major [illegible] breakdown of the optimal capital investment program from 1965 through 1968 are:

Education	$5.3	million
Health	2.4	"
Public safety and judiciary	0.9	"
Economic Development Fund	5.0	"
Transportation	1.5	"
Communication and radio	2.7	"
Public Works	13.0	"
Equipment replacement	2.5	"
Housing assistance		"

The small percentage of the proposed program devoted to economic development projects -- which would be administered through a recommended Economic Development Fund -- is due to some extent to the anticipated response of private Micronesian and US capital. However, it is primarily a reflection of the Trust Territory's very limited ability to use such funds effectively, given its meager production resources and tiny, dispersed markets. The limited prospects for the growth of the private economy dictate that for the foreseeable future this will continue to be a deficit area notwithstanding the development that will result from the proposed program. Prospects would be brighter, and the post-1968 need for subsidization reduced if Washington would be willing to cancel US import duties on processed fish (a privilege enjoyed by American Somoa) and to eliminate, after the plebiscite, entry restrictions (except in the Kwajalein area) on Japanese businessmen, technicians and fishing vessels. And in the still more distant future, although not now foreseeable, what looks like a "Micronesian Folly" -- justifiable only for its strategic value -- may very well develop into a viable economy based on American residents and tourists.

The large part of the capital investment program, and the even larger part of the annual operating program, devoted to education reflect the acute need and [illegible] importance of that program. But, given the limitations on the feasible rate of economic development, it also poses a dilemma. Modern education, particularly secondary education, will create a demoralizing unemployment problem as graduates refuse to return to their primative outlying lands and to the extent that they are not aided to continue on the college. It is essential that the safety valve

of legally unlimited (and possible financially-aided) immigration to the US be established. Fortunately, that would come to pass when the Micronesians are given US national status, if not sooner.

Part III. Administration in the Trust Territory

1. The Mission regrets to report that a major obstacle to the overall development of the Trust Territory is the creaky functioning of the quasi-colonial bureaucracy in the Trust Territory government. Unqualified American officials with remarkable long periods of bureaucratic longevity, many from the days of Navy military government, are more the rule than the exception. There is a real and present danger that increased appropriations by the Congress will not be used with maximum effectiveness and that the Trust Territory government cannot implement the program needed in the area. Increased numbers of permanent personnel in the Trust Territory government staff are assumed by too many department heads in too many cases to constitute the needed "expansion of programs".

2. The Mission believes that a new approach to territorial administration is required if the Executive and the Congress want results. This should be the conscious effort to utilize the services of other Federal agencies or to contract out the implementation of the new and expanded programs recommended in this report. Based on its survey the Mission is convinced that results will be quicker and the overall and long-run costs of such a policy cheaper. To list just a few examples, the Mission recommends that the recruitment of American teachers be provided for through a contract between the High Commissioner and the State of Hawaii, that the provision of American physicians be contracted for with "Medico", that a private consulting organization provide advisory services in connection with the administration of the proposed Economic Development Fund and that the Immigration and Naturalization Service take over immigration functions in the area.

There has been sufficient exploration by the Mission to be reasonably sure of the general flexibility, and in most cases the particular willingness of the suggested agencies and contractors to undertake those functions. Contract supervision will pose its own set of problems for the Trust Territory government, but it can handle

these problems more readily. To charge the Trust Territory government with the task of implementing with its own staff a relatively large and complicated program will not only involove many years' delay and much waste, but will saddle that government (and the US) with the costs of permanently swollen bureaucracy necessarily recruited in many cases without full qualifications owing to the pressure of time. The need for many of these contractual services will desappear as certain programs are completed and others are increasingly staffed by qualified Micronesians.

3. The Trust Territory governmental organization of functional departments at headquarters in Saipan and in the six district administrations headed by district administrators is basically sound. However, there is a serious problem of communication between headquarters departments and their district counterparts partially arising from the over-centralization of authority in the High Commissioner's office. Essentially, the High Commissioner uses his department heads as staff officers, and they have no real operation authority delegated to them, nor are they permitted to deal directly with their district counterparts nor with the district administrators. Furthermore, it is alleged that the district administrators frequently alter professional technical policies and programs. The Mission believes that in the interests of better administration of both the pre-plebiscite territorial government, that the delegation of powers by the High Commissioner to his department heads be permanently clarified. The headquarters department directors should be given professional and technical responsiblity for their programs, beginning with Departments of Education, Health and Agriculture, and management specialist should be sent to the Trust Territory to spell out the specific steps to accomplish this objective.

4. Budgeting in the Trust Territory government is simply a means of setting a ceiling on expenditures rather than a planning mechanism through which programs are developed and carried on effectively. There are numerous and serious deficiencies in both budget formulation and execution, and the accounting of expenditures. The Mission recommends various specific measures among which are requiring the full funding of construction projects starting in the FY 1965 budget and separate accounting for business-service operation including payment for such services as the Trust Territory government receives.

5. Due to the long supply lines back to the US and inadquate funds, the Mission serious supply deficiencies (particularly in medical supplies and spare parts) at various points through the system. The Mission recommends certain funding and management actions.

6. Under UN pressure and our own response to it, the policy of replacing American officials with Micronesians has been pressed to the point of using poorly qualified Micronesians. The Mission has investigated various possible training programs to meet this problem and makes specific recommendations regarding training for public administrations, teachers and medical practitioners.

7. The Mission recommends in regard to American personnel that minimum professional qualifications be formulated, that the Department of Interior adopt a compulsory rotation program and that the directors of education, public health and engineering and construction be upgraded.

8. The ultimate objective should be a single personnel system where American and Micronesian officials in similar positions receive equal basic pay. In the interim and as a measure to reduce friction and encourage Micronesian officials to complete their full education, the Mission recommends the adoption of a new transitional schedule in the Micronesian pay scale for senior professional officials who meet evey qualification requirement for comparable grades in the Federal civil service. Once a unified personnel system is established and the Social Security system is extended to territorial employees, the new American employees entering after that date should have territorial-employee status rather than Federal employee status, unless they are detailed from a Federal a[illegible]

9. The policy and administrative relationship between Wahington, especially the Department of Interior, and the Trust Territory government must be sharply improved. There has been, on the part of Washington, both insufficient guidance as to new policies and program objectives and a lack of review in depth of the Trust Territory government's administrative implementation of them. A major reason seems to have been the tradition of treat-

the Trust Territory government somewhat as a sovereign foreign government. This is in the Mission's opinion an unnecessary and inadvisable interpretation of the administering power's role in the Trust Territory. One important example of these deficiencies is the lack of familiarity by many high officials in the Trust Territory with the policy shift contained in NASM 145 and the marked failure of that Presidential policy statement to have sufficient impact on the Trust Territory government policy. To correct the general problem, the Mission recommends:

a. The Task Force created by NASM 145 should continue up through the plebiscite as a program and policy advisory group to the Secretary of the Interior. They should be involved in the adoption of a "master plan" of priority programs and periodic review in Washington of the progress as well as approving any later modifications.

b. Annual visits of an evaluation team to the Trust Territory to assertain by field inspections that the "master plan" is being implemented in accordance with the terms of reference approved by Washington. The team should serve the Secretary of the Interior, but the Task Force might aid the Secretary of the Interior in nominating the membership of the team, and should of course have full access to the report of the team for such action as it considers appropriate. If the team's annual visits were to coincide with the Trust Territory Government's budget formulation, it would further issue the implementation of the "master plan" and would faciliate the more intensive budget examination by Interior that is needed.

c. The High Commissioner should be appointed by the Secretary of the Interior rather than the President practically because of certain legal anomalies involved in the position being filled through a Presidential appointment, but primarily to focus responsibility on the Secretary for the continuing guidance of the administration of the Trust Territory.

d. The Secretary of Interior should issue an order clarifying the exact powers delegated to the High Commissioner and those reserved to the Secretary in accordance with the draft appended to the Mission report.